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TAGS: [EAID](#) [KFPC](#) [KN](#) [KNNP](#) [KUNR](#) [PINR](#) [PREL](#) [UNDP](#) [UNFPA](#)
SUBJECT: AMBASSADOR WALLACE MEETS WITH UNFPA EXECUTIVE
DIRECTOR THORAYA OBAID IN WAKE OF EXECUTIVE BOARD'S
DECISION ON THE DPRK.

Classified By: USUN Acting Permanent Representative Alejandro D. Wolff
per 1.4 (b) and (d)

1.(C) On January 25, Ambassador Wallace met with UNFPA Executive Director Thoraya Obaid and a team of senior UNFPA officials to discuss UNFPA's program activities in the DPRK. UNFPA provided USUN with preliminary information on program budgets, in-country expenditures paid directly to the DPRK government, and UNFPA's audit policies. Ambassador Wallace stated his intention to make a formal request for copies of UNFPA's internal audits and also stated his hope that USUN and UNFPA could work cooperatively in the future to address U.S. concerns. ExDir Obaid, while noting U.S. concerns, stated that as Chair of the High Level Committee on Management (HLCM) she could not provide UNFPA internal audits to Member States, citing the recommendation of the HLCM to the UN System's Chief Executive Board for Coordination (CEB). Obaid did however, state her willingness to provide Ambassador Wallace with summaries of UNFPA's internal audits. Ambassador Wallace was accompanied by PRM/PIM Director Nan Kennelly and a USUN/MR officer. End Summary.

2.(C) Ambassador Wallace opened the meeting by providing an overview of U.S. concerns with UN operations in the DPRK and a summary of USUN/UNDP interactions leading up to the deferral of the DPRK country program at the UNDP Executive Board meeting. Ambassador Wallace focused on U.S. concerns with transparency and accountability in all UN funds and programs, particularly with Member States lack of access to internal audits. He reiterated the U.S. position that internal audits must be provided to Executive Board Members in order to enable Members to make informed decisions on program activities and also to ensure that their citizens' tax money is not being diverted by the DPRK government for other purposes.

3.(SBU) ExDir Obaid and her team acknowledged that as a member of the same country-team as UNDP in the DPRK, UNFPA engaged in many of the same practices as UNDP, i.e. employing seconded staff from the DPRK government and making payments in hard currency. Obaid distinguished UNFPA from UNDP however, in the nature of services provided, the manner in which services are delivered and the size of the UNFPA's program in the DPRK vis-a-vis UNDP. Specifically, she stated that the size of the UNFPA program in the DPRK was small in comparison to that of UNDP and that all projects were implemented via Direct Execution (DEX), as opposed to National Execution (NEX), which allows UNFPA more project oversight and to rely less on the host country government for project implementation and procurement of services from national vendors.

4.(SBU) Regarding U.S. concerns with lack of field/site

visits by UNDP officials to NEX projects in the DPRK, UNFPA stated that it was their policy to require international UNFPA staff to visit all UNFPA facilities and assistance operations on the ground in the host country. UNFPA's DPRK program is supervised by the Beijing office, and the UNFPA China mission director Dr. Bernard Coquelin stated that during his most recent visit to the DPRK, he personally checked some of the 23 facilities, the equipment used on-site (e.g. stethoscopes, scanners, medication and low-capacity computers) and had private meetings with clients and doctors. Obaid stated that UNFPA has a "no access, no assistance" policy, meaning that UNFPA aid is contingent on host country assurances of unlimited access for UNFPA officials to projects and staff. She added that all equipment is provided by UNFPA in accordance with the UN sanctions list, so the risk of "dual-use" equipment is minimal.

5.(U) UNFPA officials provided the following information on UNFPA program costs in the DPRK:

- 1985-1989: \$2.2 million
- 1990-1997: \$3.6 million
- 1998-2003: \$3.6 million
- 2004-2006: \$2.7 million
- 2007-2009: \$8.25 million

6.(SBU) UNFPA stated that approximately 13% of the program budget is spent on expenditures paid directly to the DPRK Government. This 13% amounts to approximately \$150,000 in currency transfers to the DPRK per annum. The office in the DPRK consists of five local and one international staff member. Regarding staff travel, UNFPA stated that checks from UNFPA to staff for DSA's are made out directly to staff and not to the DPRK government. Regarding procurement, since DEX is UNFPA's preferred modality of execution, the majority of procurements are made offshore (in large part through the Beijing office) and not through national vendors as is the case with UNDP. ExDir Obaid claims that local staff do not have access to financial controls, e.g. checkbooks, as was found to be the case with UNDP, and that while local staff can access the ATLAS system (the internal system for facilitating financial transactions), they do not possess the signature authority needed to authorize payments for UNFPA; that is handled from Beijing.

7.(C) UNFPA stated that the last internal audit of the program in the DPRK was conducted in 2004 and was executed in conjunction with a Big 4 independent audit firm. This audit had a rating of "partially satisfactory", due to the auditors concerns with inadequacies in staffing and IT security. According to UNFPA, the auditors expressed no concerns with financial controls, program monitoring or personnel. UNFPA stated that while they could not provide USUN with the internal audits, they could provide summaries upon request.

8.(C) At the conclusion of the meeting, Ambassador Wallace reiterated the U.S. position that Executive Board Members cannot fulfill their fiduciary responsibilities without access to internal audits. In response, Ms. Obaid revealed that she has been meeting with Kemal Dervis, Administrator of UNDP and Ann Veneman, Executive Director of UNICEF, to consider changes in the Executive Committee's policy on sharing internal audits with Member States.

9.(SBU) USUN intends to send the following letter ExDir Obaid in which Ambassador Wallace will reiterate U.S. concerns and make a formal request for copies of UNFPA's internal audits of the program in the DPRK. Begin letter text:

-Thank you for the meeting January 25th to discuss the United States' concern with the UNFPA program in North Korea. As you know, this is a matter of the utmost importance to my Government.

-In order for the United States to exercise our responsibilities as a Member of the Executive Board, it is critical that we better understand the state of UNFPA's audit activities. We thank you for the preliminary information provided during our meeting as well as your offer to provide

us with summaries of UNFPA's internal audits. However, in order to more effectively understand the audit and oversight capacity of UNFPA, we request the following information:

Full internal and external UNFPA audits of the country office in North Korea going back to the year 1998;
The date and scope of all general or special purpose, internal and external, audits during the last five years of each UNFPA headquarters, regional, country and local offices;
The priorities for future internal and external audits during the next 12 months.

-We maintain that it is counter to sound fiduciary principles that a Member of the UNDP/UNFPA Executive Board would be precluded from access to important internal audit reports-particularly when they review the workings of programs in a country such as the DPRK.

-Thank you for your attention to this matter. End letter text.

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